

DETROIT NEWS

Feds say Michigan Bitcoin dealer illegally brokered cryptocurrency

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File: AP Photo/Mark Lennihan

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A Pontiac man is facing money laundering charges after selling \$56,7000 worth of Bitcoin to undercover agents over six meetings that began in August 2015, according to federal investigators.

Bitcoin is the most popular among a growing number of digital currencies, referred to as cryptocurrency, which are not regulated by central banks, and like cash, make transactions difficult to track.

Because it's difficult to identify a person receiving or transferring Bitcoin, it's become popular among those wishing to purchase illegal items, such as guns, drugs or child pornography; or to launder illegally obtained cash, the federal government says in its complaint.

Many of those purchases are made over the Dark Web, a difficult to access portion of the Internet that is "intentionally hidden," according to the federal complaint filed against 52-year-old Bradley Stetkiw in Detroit's federal court, unsealed on Oct. 26.

Homeland Security Investigations Special Agent Ben Randall says Stetkiw knowingly subverted laws and operated an unlicensed money transmitting business.

While the currency may be obtained through large Bitcoin brokerage firms, they may also be acquired one-on-one from direct sellers. They're not usually purchased in whole Bitcoin units, but rather in fractional increments.

Stetkiw, who investigators say uses the aliases Ben or online handle "SaltandPepper," is accused of arranging the purchase of Bitcoin in exchange for a service fee, usually about 5 percent of the entire transaction. He began the practice in 2014, according to the complaint.

"I am longest, most reliable and honest trader in Oakland County," the government says Stetkiw advertised on the website localbitcoins.com. "Start this trade to arrange meeting time and coin availability."

Stetkiw regularly met customers at Tim Horton's in Bloomfield Township, but also conducted deals using his cellphone, according to federal investigators.

Department of Homeland Security undercover agents approached Stetkiw posing as customers interested in obtaining Bitcoin.

Purchasers would set up what is known as a Bitcoin "wallet," the equivalent to a bank account number, except the "wallet" is entirely digital and not linked to personal ID information.

Once paid -- Stetkiw accepted cash, PayPal, wire transfers and bank deposits -- he transferred the agreed number of Bitcoin to the customer's digital wallet.

Due to the scale of his operation and the nature of his business, the government claims Stetkiw was required to register as a money services business, which he had not.

Registered money services businesses are required to report suspicious transactions and keep a record of the identification of any customer who transmits \$3,000 or more, the complaint says.

The federal court filing alleges Stetkiw was aware that what he was doing might be illegal, and that he insisted large Bitcoin purchases be made using multiple distinct wallet accounts separated into increments no larger than \$2,500.

"There's been a lot of bulls*** law enforcement stuff with people getting Bitcoin sellers arrested for money laundering," the government says Stetkiw told an undercover agent on Aug. 18, 2015. "They consider it money laundering over a certain amount transaction."

The government also alleges Statkiw had concerns that the Bitcoin he sold might be used for illicit purchases, at one point saying: "I'm just going to say this and don't tell me what you're doing with your coins because if you do, and it's something bad, then I can't sell it to you."

After multiple transaction conducted with the undercover agents, the Department of Homeland Security says Stetkiw also brokered a \$35,000 Bitcoin deal with an out-of-state Bitcoin seller on behalf of the undercover agents.

The value of Bitcoin has risen dramatically since the Stetkiw investigation began in 2015. Whereas the undercover agents paid an estimated \$56,700 for just over 126 Bitcoins, a single bitcoin is currently valued near \$6,600, making the same number of bitcoin transferred during the investigation worth approximately \$831,000 today.

Stetkiw has been arraigned and released on a \$10,000 personal bond. He did not respond to an MLive voicemail requesting comment.

Read the full complaint:



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